



# MEDICAID RATE SETTING 101

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# What Are Rates?

Deliver the **RIGHT CARE**  
To the **RIGHT PERSON**  
At the **RIGHT TIME**

For the **RIGHT PRICE**

# What Are Rates?

## ➤ **Medicaid is Contractual Agreement between State and Federal Gov**

- State Plan

## ➤ **Roles in Terms of Rates**

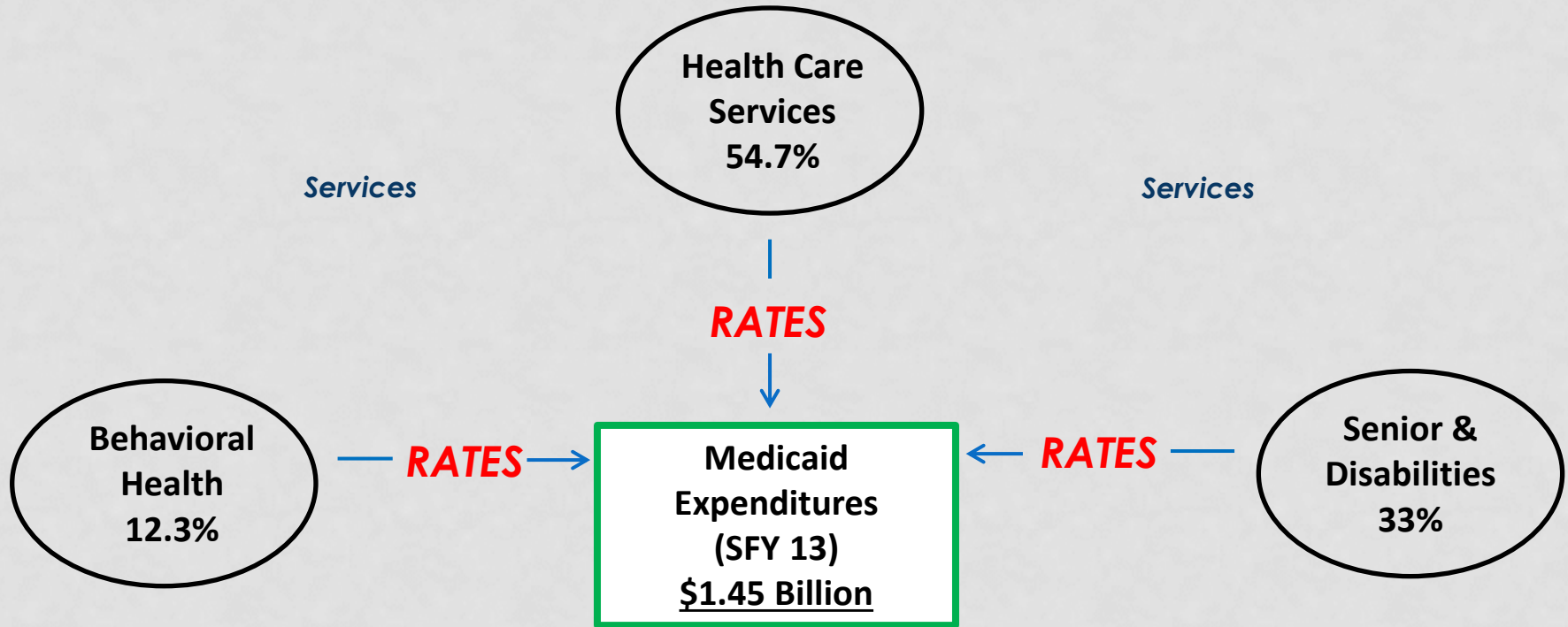
- State: Rate setting and program administration
- Fed: Final approval and compliance

## ➤ **Federal Basis & Notable Controls**

- Efficiency, Economy, Quality, and Sufficiency [§ 1902(a)(30)(A)]
  - ✓ Upper Payment Limit [§447.272(b)]
  - ✓ Customary Charges [§447.271]
  - ✓ Audits [§447.202]

***Rates refer to the amount of money that Medicaid will reimburse for a unit of service.***

# Medicaid Expenditures



*Medicaid Expenditures = Rate X Units of Service*

# Services & Rate Methodologies

## Health Care Services

- **PROFESSIONAL SERVICES:** Fee Schedule
- **HOSPITALS:** Medicare Cost Report

## Behavioral Health

- **PSYCH HOSPITAL:** Medicare Cost Report
- **RPTCs:** Cost Survey
- **BH OUTPATIENT SERVICES:** Cost Survey

## Senior & Disabilities Services

- **NURSING HOMES:** Medicare Cost Report
- **WAIVER & PCA SERVICES:** Cost Survey

# Health Care Services

## Professional Services Reimbursement

- Rate Methodology is RBRVS Fee Schedule w/ State Adjustment
  - ✓  $\text{RBRVS} = (\text{RVU} \times \text{Geo Factor} \times \underline{\text{CF}})$
  - ✓ Remember “Sufficiency”

## Hospital Reimbursement

- Rate Methodology is Medicare Cost Reporting
  - ✓ Individually tailored to facilities
  - ✓ Complicated rebasing, high litigation

# Senior & Disabilities Services

## **Nursing Home Reimbursement**

- Rate Methodology is Medicare Cost Reporting
  - ✓ Individually tailored to facilities
  - ✓ Complicated rebasing, high litigation

## **HCB Waiver & PCA Services Reimbursement**

- Rate Methodology is Cost Surveying
  - ✓ Complex (high volume of providers, varying financial sophistication)
  - ✓ Working towards goal of single, uniform system (rationalization)



# Behavioral Health Services

## Residential Psychiatric Treatment Center Reimbursement

- Rate Methodology is Cost Surveying
  - ✓ Administratively simple (low volume of providers), avg rate
  - ✓ Rate changes are unpredictable and lag. Needs rationalization!

## Behavioral Health Outpatient Services Reimbursement

- Rate Methodology is Cost Surveying
  - ✓ Complex (high volume of providers, varying financial sophistication)
  - ✓ Split provider types (clinical v. rehab)
  - ✓ Rate changes are unpredictable and lag. Needs rationalization!



# Conclusion

## ➤ What You Learned

- Rates refer to \$ Medicaid reimburses for services
- Key services and corresponding rate setting methodologies
- Rate setting is complicated and demands substantial work

## ➤ Take Away

- Medicaid Expenditures = Rate X Unit of Service
- Utilization drives Medicaid expenditures
- If we control utilization, we can control Medicaid expenditures
- If rates incentivize outcomes, rates can control utilization

**Payment reform is rationalization of our rate systems.**



# QUESTIONS?

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